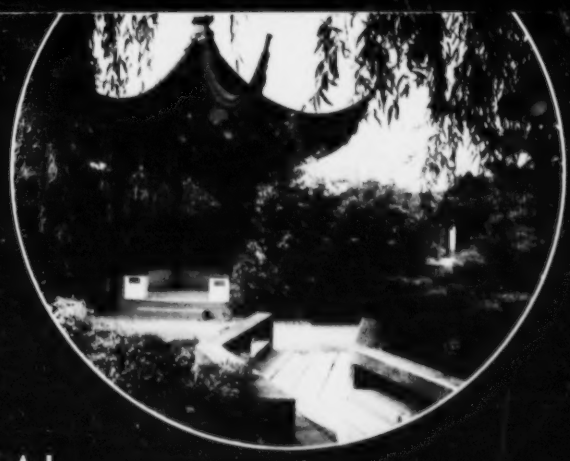

ANNUAL FINANCIAL REPORT 2006

CITY OF VANCOUVER

CITY OF VANCOUVER

BRITISH COLUMBIA

ANNUAL FINANCIAL REPORT

2006

2007-03970/

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Vancouver City Council

Mayor Sam Sullivan

Suzanne Anton

Elizabeth Ball

David Cadman

Kim Capri

George Chow

Heather Deal

Peter Ladner

B.C. Lee

Raymond Louie

Tim Stevenson

Corporate Management Team

City Manager	J. Rogers, M.P.A.
Deputy City Manager	B. MacGregor, P. Eng.
Chief Constable	J. Graham
Director of Legal Services	F. Connell, LL.B
City Librarian	P. Whitney, M.L.S.
General Manager of Community Services	J. Forbes-Roberts, B.A. Honours, B.Arch.
General Manager of Corporate Services	E. Lo, B. Comm, M.B.A., C.M.A.
General Manager of Engineering Services	T. Timm, P. Eng.
General Manager of Fire and Rescue Services	R. Holdgate
General Manager of Human Resource Services	M. Zora, B.Comm.
General Manager of Parks and Recreation	S.J. Mundick, B.R.I.S., R.D.M.R.
General Manager of Olympic Operations	D. Rudberg, P.Eng.

Financial Services

Director of Finance	E. Lo, B. Comm, M.B.A., C.M.A.
Director of Financial Services (Acting)	E. Lee, B. Comm, C.A.
Director of Financial Planning and Treasury	K.B. Bayne, B.A., M.Sc. (Bus.)
Manager of Accounting Services (Acting)	N. Lok, B. Comm, C.G.A.
Director of Budget Services	A. Klein, B.Comm, M.B.A.

City Clerk — S. Baxter, B.A.

City Auditor
KPMG LLP, Chartered Accountants

Banker
Bank of Montreal

Agents - Worldwide
RBC Dominion Securities Inc.
CIBC World Markets Inc.

Fiscal Agent for Certain Functions
Relating to Eurobond Issues
Royal Bank of Canada, London

Relating to Book Entry Only Issues
Canadian Depository for Securities Ltd.

Vancouver Public Library Board

City Librarian - P. Whitney
J. Andersen - Chair
J. Buckberrough - Vice-Chair
C. George - Vice-Chair
C. Hansen, School Board Representative
H. Holden, Parks and Recreation Representative
Councillor E. Ball - Council Liaison

A. Cowan
S. Daub
M. Feder
E. Kazemi
L. Kuehn
E. Soorany
T. Tao

Vancouver Police Board

Chief Constable - J. Graham
Mayor S. Sullivan - Chair

J. Adams
T. La Liberté
M. McNeil
P. Marfleet
D. Parker
G. Wong

Vancouver Civic Theatres Board

Director - R. Ackerman
Directors Emeritus - N. Young
B. McLean - Chair
C. Davies - Vice-Chair
Councillor R. Louie - Council Liaison

C. Doylend
L. Kennedy
B. Noon
W. Soobis
P. Yeung

Board of Parks and Recreation

General Manager - S. Mundick
I. Robertson - Chair
K. Houghton - Vice-Chair

H. Holden
A. De Genova
S. Herbert
L. Woodcock
M. Zlotnik

Board of School Trustees for School District No. 39 (Vancouver)

Superintendent of Schools - C. Kelly
Secretary-Treasurer - B. Ng
K. Denike - Chair
C. Gibson - Vice-Chair

A. Blakey
E. Gregory
S. Gregson
C. Hansen
D. Lee
A. Wong
S. Wong

City Hall, Vancouver
April 11, 2007

Mayor S. Sullivan and
Members of Council

It is my pleasure to submit the Consolidated Financial Statements for the City of Vancouver for the year ended December 31, 2006. These financial statements include the financial position and results of operations of the City including its boards and City-owned/controlled corporations.

2006 Financial Highlights

The City continued to maintain a strong financial position in 2006:

- Total assets increased to approximately $10.0 billion, an increase of $841.3 million (9.2%) with the major component being Capital Assets which amounted to $9.1 billion.
- The cash position of the City, including temporary investments, amounted to $702.3 million compared to $791.5 million at the end of 2005. The decrease of $89.2 million (11.2%) was mainly due to repayment of sinking fund debentures of $100.0 million.
- Through tight fiscal control, the City was able to manage expenditures within the Operating Budget envelope ending the year with an excess of revenues over expenditures of $1.8 million.
- Expenditures on capital works totaled $169.3 million, compared to $156.6 million in 2005, an 8.1% increase due to major project construction including #1 Kingsway civic complex, civic theatres renovations, 2nd Avenue Canada Line station and upgrades to Mountain View Cemetery.
- Total debt outstanding at December 31, 2006 was $505.9 million (2005 - $645.1 million), of which $428.6 million was held externally; the balance of $77.3 million was held by the Sinking Fund. Of this internally held debt, $16.2 million is to be recovered from individual property owners through local improvement charges.
- Reserves set aside for specific purposes increased during 2006 by $44.3 million to $339.1 million. There were major increases in the reserves for Community Amenities of $13.0 million, Plant and Equipment of $7.3 million, Future Revenue Fund Budgets of $13.5 million and Solid Waste Capital of $5.1 million.
- $2.0 million was set aside from operating surplus to establish a reserve for Stanley Park restoration.
- Funding of $4.3 million was provided for future payroll benefit obligations. To date, total funding of $21.5 million has been provided in reserves to meet increased employment related payments due to anticipated retirement of long term staff over the next 5 to 10 years.
- Solid waste landfill closure and post-closure costs increased by $3.0 million in 2006 bringing the total liability to $25.0 million (2005 - $22.0 million). The Solid Waste Capital Reserve balance at December 31, 2006 amounted to $67.7 million (2005 - $62.6 million).
- Consolidated fund balance decreased by $102.4 million reflecting the net result of revenues exceeding expenditures of $4.8 million, debt repayment of $139.1 million and transfers from reserves of $31.0 million.

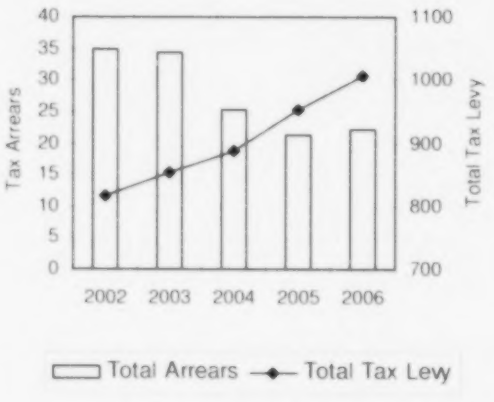
Property Tax Receivable

Property tax collection remained strong. As the chart shows, over the last five years, although tax levies have increased, the total tax arrears have declined from over $35.1 million in 2002 to $22.2 million in 2006. Tax arrears as a percentage of taxes levied for 2006 was 2.21% (2005 - 2.23%).

The collection of 2006 property taxes, including those amounts raised for other taxing authorities, amounted to $994.6 million, or 98.6% of the total 2006 property taxes levied. During the year, the City also collected $15.0 million (70.4%) of the $21.3 million property tax in arrears at the beginning of 2006.

At year end, tax prepayments were $35.6 million compared to $31.6 million at the end of 2005, an increase of 12.7%.

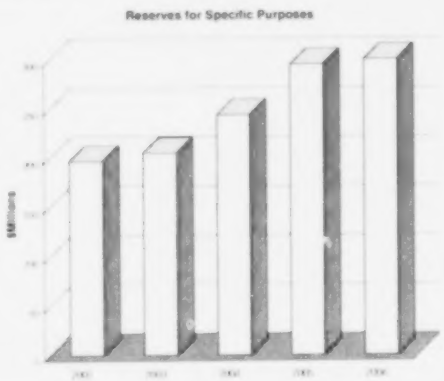
Tax Levy and Arrears ($Millions)



Reserves

Under legislative or Council authority, the City has established a number of specific purpose reserves. At the end of 2006, these reserves totalled $339.1 million, up $44.3 million over 2005 or a 15.0% increase. The most significant changes were:

- The City received Community Amenity contributions from developers of $13.0 million bringing the total reserve to $44.1 million.
- The Solid Waste Capital Reserve increased by $5.1 million to $67.7 million as a result of net income from solid waste operations of $3.4 million and interest of $2.6 million less expenditure of $1.2 million for automated garbage implementation. This reserve is being accumulated to fund closure and post-closure costs at the City's landfill.
- The Plant and Equipment Reserve which funds the long term equipment replacement plan increased by $7.3 million to $34.8 million. The reserve is funded by internal equipment charges provided in the Operating and Capital Budgets. The 2006 transfer to the reserve totalled $18.7 million. Actual expenditures drawn on the reserve were $11.3 million.
- A contribution of $5.0 million from the Province of B.C. to assist in the review and development of a Cultural Precinct along Georgia Street.
- The $4.2 million decrease in the Affordable Housing Reserves was due to the transfer of the Neighbourhood Demonstration Fund of $3.5 million to unrestricted fund balance. Expenditures included capital grants to a number of non-market housing projects.
- The Olympic Village Trust Reserve earned interest of $1.9 million bringing the year end balance to $30.4 million.
- A reserve for Stanley Park restoration was established with a $2 million contribution from 2006 operating surplus.



- Future Revenue Fund Budgets Reserve increased by $13.5 million to provide funding for future payroll benefit obligations of $4.3 million, potential tax appeals of $4.7 million, EComm systems replacement of $2.8 million, $0.6 million for the next municipal election and $0.6 million for future debt charges.
- Water and Sewer Rate Stabilization Reserves decreased by $2.2 million as both utility operations expenditures exceeded revenues due to increased debt charges and cost of water purchases.
- The Parking Sites Reserve decreased by $2.6 million to $1 million due to 2 major additions (Chinatown Plaza and Yaletown Parkade), and the final costs for the Gastown Parkade offset by contributions for payment in lieu of parking.

Revenue Fund

The Revenue Fund accounts for the general operations for the City. Spending authority and control for the fund are provided by Council through the annual Operating Budget.

Revenues for the year totalled $897.5 million and expenditures, debt repayments and transfers amounted to $895.7 million, resulting in a net income $1.8 million. The total fund balance of the Revenue Fund currently stands at $12.3 million, compared to $10.4 million in 2005.

Total operating revenues increased by $47.3 million from 2005 mainly due to:

- An increase in net taxation revenue of $25.2 million or 5.2% from $482.3 million to $507.5 million. City Council approved a 4.04% increase in the property tax levy in 2006 that generated $23.0 million in tax revenues (including new construction).
- An increase in water utility user fees of $1.6 million (2.4%) was due to a 7.5% Council approved rate increase to reflect rising regional water costs, partially offset by lower metered water consumption in the year.
- An increase in solid waste utility user fees of $4.2 million (10.8%) due mainly to the higher volume of soil deposit material (from the Canada Line construction) and general waste tonnage received at the transfer station and landfill site.

- A decrease in sewer utility user fees of $0.9 million (2.7%) mainly related to lower metered consumption.
- An increase in Provincial revenue sharing grants and contributions of $1.0 million mainly attributable to additional gaming revenue from the Edgewater Casino which had its first full year of operations in 2006.
- An increase in other fees, rates and cost recoveries of $11.4 million due primarily to a combination of:
    - increased revenues of $1.2 million from the on-street parking program due to additional meters and rate increases
    - the introduction of the enhanced tax and utility billing and collection system which improved the tracking and collection of bylaw fines by $1.3 million
    - increased revenue of $3.7 million from building permits, development and inspection fees due to the high level of construction activity
    - an increase in Secondment Recoveries of $1.9 million due to a higher number of police officers being assigned to other agencies
    - additional recovery from the Provincial Government of $1.1 million due to the resumption of the Jail Operations by the Vancouver Police Department and
    - higher revenue of $3.0 million from Park Board's operations due to the reopening of the Killarney Pool in 2006, greater revenue obtained from the various Park's facilities due to better weather enjoyed during the year and higher donations received from the public
- An increase in investment income of $4.8 million due to higher cash balances and higher interest rates.

Total operating expenditures amounted to $761.3 million, an increase of $32.6 million. This increase was primarily related to the wage and fringe benefit adjustments for employees which added approximately $11.6 million to the 2006 expenditures.

Other major areas of change in expenditures were:

- The main increases for 2006 Police expenditures were $3.7 million in salary and benefits associated with the additional police officers and civilian positions approved by Council for 2005 and 2006. Other increases include the resumption of the jail function by the Vancouver Police department of $2.2 million, additional expenditures in the Criminal Investigation Fund of $1.6 million due to the high number of high profile cases in 2006, higher fleet costs of $0.9 million, and an increase in overtime costs of $0.8 million, due primarily to overtime related to seconded officers ($0.3 million) and higher statutory holiday costs ($0.5 million). This was partially offset by lower legal fees of $0.5 million.
- An increase of $2.3 million in the cost of water charged by the Greater Vancouver Water District which increased rates by 7.5%.
- An increase of $3.3 million in solid waste costs due to a higher amount of waste tonnage processed through the landfill resulting in higher disposal costs.
- A net increase of $2.6 million for community services and planning projects such as the Homeless Action Plan, Animal Control Strategic Plan and Community Visions.
- An increase in Recreation and Parks costs of $5.0 million due to $1.4 million from the reopening of the Killarney Pool, $0.8 million due to costs of new park facilities, $0.4 million in additional debt interest and $0.4 million for work on street trees due to late wind and snow storms in 2006.
- A $0.7 million increase to Community and Cultural Services was primarily due to the annualized impact of extended library operating hours approved by Council in 2005 ($0.5 million) and new library programs funded by donations and grants ($0.2 million).
- Lower election costs in 2006 as a provision of $0.5 million was made for the next election in 2008, compared to $1.3 million cost of the 2005 election.

Capital Fund

The Capital Fund accounts for the City's capital expenditures and programs supporting civic infrastructure as well as the related financing. It also holds all properties required for civic use and the related long term debt. Spending authority and control are provided through the annual Capital Budget which in turn is guided by the Three Year Capital Plan approved by Council.

The Capital Fund balance decreased by $77.0 million from 2005 resulting in a negative fund balance of $25.0 million (2005 – fund balance $52.0 million). The change is mainly due to:

- $67.2 million in revenue including $16.5 million from the Province of British Columbia for various projects including $5.0 million for the downtown Cultural Precinct, $18.8 million in community amenity contributions and development cost levies from developers, $10.9 million in water and sewer connection fees and $7.8 million from the sale of the Woodward's site.

- $24.6 million net transfers from reserves and other funds, the most significant being the $23.7 million transfer from Revenue Fund Operating Budget to fund capital projects.
- $169.3 million capital expenditures which included:

	$ Million
• Streets, traffic and safety Traffic calming plans, streetlights, signals, sidewalks, Burrard Street Bridge seismic upgrade	29.8
• Main sewer construction and sewer abatement projects Cambie & Heather, Upper Canoe Creek and Fraser basin	31.0
• Water works distribution system	20.9
• Vehicle and equipment purchases	12.8
• Parks, community centres, playing fields, ice rinks Sunset Community Centre replacement, contribution to Vancouver Aquarium Discovery Centre, Queen Elizabeth reservoir	24.9
• Construction and capital maintenance of City buildings and systems Civic Theatres upgrades, #1 Kingsway, Mountain View Cemetery	18.1
• Technology infrastructure Tax and utility billing and collection system, software and hardware upgrades	6.6
• Automated garbage containers	6.6
• Daycare, social housing and community services facilities Neighbourhood houses	2.8

In November 2005, the electorate approved borrowing authority of $170.6 million to finance the maintenance and replacement of existing and construction of new streets, parks and facilities infrastructure as part of the 2006-2008 Capital Plan. Council has also indicated it will approve an additional $129.3 million in borrowing authority for sewer and water capital expenditures to complete that plan. At year end, Council had allocated $44.8 million of general plebiscite borrowing authority and $43.1 million of sewer and water borrowing authority in the Capital Budget, however, none of this borrowing authority had been exercised by issuance of debentures. These new borrowing authorities are in addition to approximately $19.5 million of general borrowing authority remaining from the 2003-2005 Capital Plan.

Capital Financing Fund

The Capital Financing Fund (CFF) provides funds for the internal financing of capital projects and at year end the total amount advanced to the Capital Fund was $64.1 million. The interim financing will be repaid with interest from future operating savings or additional fees and service charges without impacting on the existing property taxation levels provided in the Operating Budget.

The CFF holds the City's Solid Waste Capital Reserve which accumulates funds to meet closure and post closure costs at the City's landfill site. At year end, the balance of the reserve was $67.7 million. The present liability is calculated based on the ratio of utilization to the total capacity of the landfill site and the discounted value of future estimated cash flows associated with closure and post-closure activities. At year end, the liability amounted to $25.0 million, with the remaining capacity of 18.4 million tonnes (55.8% of total capacity) to be utilized by 2042.

Sinking Fund

The Sinking Fund holds the accumulation of annual principal instalments collected through tax levies, together with interest earned to provide for the retirement of principal at maturity. As at December 31, 2006, the Sinking Fund reserve for debt retirement was $132.9 million.

The Sinking Fund held $77.2 million of City of Vancouver debentures at year end as investments. $40.3 million of the reserve for debt retirement relates to internally held debt, with the remaining $92.6 million reserve set aside for externally held debt.

Property Endowment Fund

The Property Endowment Fund (PEF) accounts for real estate properties not required for civic purposes including non-market housing sites, other residential and commercial properties and parking garages. These properties are generally managed on a commercial basis generating income to benefit current and future citizens.

The PEF had a negative fund balance at year end of $8.9 million, a decrease of $44.4 million from 2005 due mainly to significant capital expenditures. Net revenues from parking and property lease and rentals amounted to $14.1 million.

In 2006, PEF capital expenditures amounted to $59.6 million compared to $64.8 million in 2005. Of this amount, $29.0 million was spent on the preparation of the Southeast False Creek redevelopment project including soil remediation, utility installation and road construction. $19.1 million was spent to acquire 2 parkades (Chinatown $11.0 million and Yaletown $4.2 million) and $3.9 million to complete the Gastown parkade improvements. Two properties for non-market housing were purchased for $4.1 million and a further $5.1 million was spent on the construction of market rental housing in the #1 Kingsway civic complex.

On an annual basis, $7.0 million of the net revenue from operations is transferred to the Revenue Fund to support general operations. The PEF also funded $2.4 million of administrative expenses in the Operating Budget.

Future Accounting and Reporting Changes

Public Sector Accounting Board (PSAB) has developed new standards which will have an impact on the City's financial statements in the upcoming 2 years. They include:

1. Accounting and reporting of capital assets: These PSAB recommendations were approved in June 2006 for implementation in 2009 and require the following:
   - Land to be reported at historical cost (instead of the City's current practice of using BC Assessment values)
   - Depreciable capital assets to be reported at amortized historical cost
   - Depreciation of capital assets to be reported on the statement of operations.

   The new standards will result in significant changes in financial statement presentation.

   Staff have taken steps to adopt these recommendations including the implementation of the Infrastructure Management System in 2007 which will assist City departments with inventorying and valuing public works, facilities and parks assets. Information from this project along with other existing asset systems will be taken by staff to determine the revised asset values that will be presented on the City's financial statements.

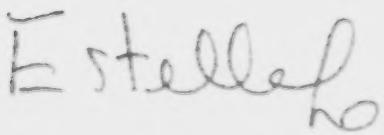
   Commencing with 2007 financial statements, the City is required to disclose information on the progress in implementing the accounting and reporting standards for tangible capital assets.

2. Segment Disclosures: This new financial reporting standard will require reporting of revenues and expenses by segment or function and will be in effect for 2008.

Conclusion

The City of Vancouver has continued to maintain a strong financial position going into 2007. The financial strength of the City reflects the careful attention to prudent financial management provided by Council and staff.

Respectfully submitted,



Estelle Lo
Director of Finance

KPMG LLP
Chartered Accountants
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Vancouver BC V7Y 1K3
Canada

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Fax (604) 691-3031
Internet www.kpmg.ca

AUDITORS' REPORT
TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have audited the consolidated statement of financial position of the City of Vancouver (the "City") as at December 31, 2006 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Vancouver Charter, we report that, in our opinion, these principles have been applied, to the consolidated financial statements, on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Vancouver, Canada

March 30, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative

CITY OF VANCOUVER
Consolidated Statement of Financial Position
As at December 31
($000s)

	2006	2005
FINANCIAL ASSETS		
Cash (Note 2)	$ 71,528	$ 71,107
Temporary investments (Note 2)	630,783	720,430
Accounts receivable and accrued interest (Note 3)	71,960	63,863
Local improvement receivable	15,432	16,375
Property taxes receivable	22,238	21,254
Lease agreement receivable (Note 10(f))	56,225	51,581
	868,166	944,610
PHYSICAL ASSETS		
Inventory	13,807	12,159
Capital assets (Note 4)	9,096,785	8,180,974
	9,110,592	8,193,133
	$ 9,978,758	$ 9,137,743
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	$ 300,899	$ 260,234
Mortgage and loan agreements (Note 10(f))	66,923	70,235
Long term debt (Note 6)	428,631	566,026
Deferred income	73,692	53,250
	870,145	949,745
MUNICIPAL EQUITY		
Equity in capital assets (Note 5)	8,652,316	7,597,434
Reserve for debt retirement (Note 6)	92,621	167,864
Reserves (Note 7)	339,149	294,826
Fund balances (Note 8)	132,240	234,692
Obligations to be funded from future revenue (Note 9)	(107,713)	(106,818)
	9,108,613	8,187,998
	$ 9,978,758	$ 9,137,743

Contingencies and commitments (Note 10)
See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Financial Activities
Years ended December 31
($000s)

	2006	2005
REVENUE		
Property taxes, penalties and interest	$ 507,511	$ 482,323
Water fees	68,859	67,262
Solid waste fees	42,790	38,629
Sewer fees	33,185	34,103
Other fees, rates and cost recoveries	313,227	315,923
Revenue sharing, grants and contributions	18,586	46,143
Investment income	30,079	23,770
Rental and lease income	43,020	37,959
Sale of property	8,055	5,967
	1,065,312	1,052,079
EXPENDITURES		
General government	115,900	126,987
Police protection	179,566	165,755
Fire protection	81,370	79,121
Engineering	171,151	128,703
Water utility	69,832	67,362
Solid waste	45,316	46,457
Sewer utility	80,029	83,914
Planning and development	64,117	61,528
Recreation and parks	160,259	151,537
Community and cultural services	92,968	100,706
	1,060,508	1,012,070
NET REVENUE	4,804	40,009
DEBT, TRANSFERS AND OTHER		
Debt		
Principal repayments	(139,072)	(27,680)
New issues	-	124,601
Net transfers from (to) reserves	30,922	(79,305)
Change in obligations to be funded from future revenue	894	6,022
	(107,256)	23,638
CHANGE IN FUND BALANCES	(102,452)	63,647
FUND BALANCES (Note 8)		
Beginning of year	234,692	171,045
End of year	$ 132,240	$ 234,692

See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Cash Flows
Years ended December 31
($000s)

	2006	2005
CASH PROVIDED BY (USED IN):		
Operations		
Net revenue	$ 4,804	$ 40,009
Change in non-cash items	45,042	31,995
	49,846	72,004
Financing		
Debt issued	-	124,601
Debt repayments	(139,072)	(27,680)
	(139,072)	96,921
Investing		
Net purchase of temporary investments	89,647	(164,456)
NET INCREASE IN CASH	421	4,469
CASH		
Beginning of year	71,107	66,638
End of year	$ 71,528	$ 71,107

See accompanying Notes to Consolidated Financial Statements

The City of Vancouver was incorporated in 1886 and is governed by the Vancouver Charter, a private bill consented to by the Legislative Assembly of the Province of British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements of the City have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

(b) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures, and changes in fund balances of all funds of the reporting entity. The reporting entity is comprised of all the organizations that are accountable for the administration of their financial affairs and resources to Council and that are owned or controlled by the City. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

Outside Boards

Parks & Recreation	Vancouver Police
Vancouver Public Library	Vancouver Civic Theatres

Owned/Controlled Entities

Hastings Institute Inc.	Vancouver Civic Development Corporation
Harbour Park Development Ltd.	City of Vancouver Public Housing Corporation
Parking Corporation of Vancouver	Pacific National Exhibition

Also included in these statements are certain assets owned by the City that are managed by the following organizations:

Vancouver Art Gallery Society	H.R. MacMillan Space Centre
Vancouver Museum	Vancouver Maritime Museum

(c) Fund Accounting

The resources and operations of the City are comprised of the funds listed below. Supporting schedules to the consolidated financial statements are included to show the financial activities and balance of each fund.

Capital

Accounts for capital expenditures supporting civic infrastructure and holds all properties required for civic use and the related long term debt.

Revenue

Accounts for revenue and expenditures for the general operations of the City including sewer, solid waste and water utilities.

Property Endowment

Accounts for properties not required for civic use which are leased to third parties, or held for, or are being developed for resale or lease.

Sinking

Accounts for the accumulation of instalments generated from tax levies in accordance with the actuarial requirements for the retirement of sinking fund debt at maturity.

Capital Financing

Accounts for funds designated for the financing of capital works, for the acquisition of the City's debentures and for funds set aside for the City's solid waste disposal program.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Basis of Accounting

(i) Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds.

(ii) Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred.

(iii) Inventory of supplies and materials are valued at cost with allowances made for obsolete stock. Cost is determined on a moving average basis.

(iv) The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenditures during the reporting period. Actual results will depend on future economic events and could differ from the estimates. Adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

(e) Capital Assets

(i) Capital Fund (for civic use)

Capital assets purchased or constructed and work-in-progress are reported as capital expenditures in the period the expenditures are incurred. Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital costs.

Capital assets are recorded in the Capital Fund on the following basis:

Land - At 'actual' value for assessment purposes as determined annually by the B.C. Assessment Authority. Crown land properties beneficially owned by the City are recorded at assessed value.

Waterworks and engineering assets - At cost less accumulated depreciation. Depreciation is provided at varying rates determined by the City Engineer and is reflected as a reduction in the City's equity in capital assets.

Buildings - at cost.

Plant and equipment - at cost.

Artworks and artifacts - at estimated and/or insured values.

(ii) Property Endowment Fund (for sale or lease)

Capital assets are recorded in the Property Endowment Fund on the following basis:

Land - At 'actual' value for assessment purposes as determined annually by the B.C. Assessment Authority. The development costs incurred are charged against equity to reflect their contribution to the increases in the 'actual' value of land.

Buildings - At cost less accumulated depreciation of $47.6 million (2005 - $42.1 million). Depreciation is charged against Equity in Capital Assets on a 5% straight-line basis on the buildings on parking sites, and on a 5% declining balance basis on leased buildings.

Equipment - At cost less accumulated depreciation of $3.8 million (2005 - $3.1 million). Depreciation is calculated on a 30% declining balance basis and is charged to Equity in Capital Assets.

Property subject to sale option - At option price. The land parcel is subject to purchase by the lessee at a minimum value of $8.4 million (with an expiry date of January 31, 2015).

(f) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as an adjustment to the respective fund.

(g) Comparative Figures

Certain of the 2005 figures have been reclassified to conform to current year presentation.

2. CASH AND TEMPORARY INVESTMENTS

Cash includes short-term investments with maturity dates within 90 days of acquisition. Temporary investments are comprised of money market instruments, term deposits, bankers acceptances and federal and provincial bonds with maturity dates greater than 90 days after acquisition. Investments are recorded at cost, adjusted for amortization of premiums or discounts.

	2006	2005
Cash	$ 9,119	$ 23,699
Short-term investments (Maturity date within 90 days)	62,409	47,408
	71,528	71,107
Temporary investments (Maturity date greater than 90 days)	630,783	720,430
Total cash and investments	$ 702,311	$ 791,537
Market Value of total cash and investments	$ 711,105	$ 792,355

3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

	2006	2005
Accounts receivable and accrued interest		
Accrued interest	$ 11,737	$ 11,874
Utility receivables	18,412	16,520
Employee advances	2,723	2,848
Rental and lease receivables	5,589	5,247
Trade and other receivables	40,433	29,915
	78,894	66,404
Allowance for doubtful accounts	(6,934)	(2,541)
	$ 71,960	$ 63,863
Accounts payable and accrued liabilities		
Payroll liabilities	$ 35,138	$ 30,847
Advance deposits and receipts	93,587	53,682
Future obligations (Note 9)	107,713	106,818
Trade and other liabilities	64,461	68,887
	$ 300,899	$ 260,234

4. CAPITAL ASSETS

	Capital Fund	Property Endowment Fund	2006 Total	2005 Total
Land	$ 4,895,588	$ 1,829,646	$ 6,725,234	$ 5,963,508
Buildings	461,516	119,326	580,842	518,434
Property subject to sale option	-	8,365	8,365	8,365
Leasehold interests	25,493	3,420	28,913	28,958
Engineering assets	935,481	-	935,481	912,715
Waterworks	324,246	-	324,246	314,067
Assets under construction	40	39,345	39,385	-
Plant, equipment, artworks and artifacts	433,336	2,072	435,408	415,668
	$ 7,075,700	$ 2,002,174	9,077,874	8,161,715
City of Vancouver Public Housing Corporation *			10,055	10,646
Pacific National Exhibition*			8,856	8,613
Total			$ 9,096,785	$ 8,180,974

* At cost less depreciation

5. EQUITY IN CAPITAL ASSETS

	2006	2005
Capital expenditures	$ 230,446	$ 224,369
Debt issued	-	(124,601)
Debt principal repayments	139,071	27,680
Disposals	(3,362)	(4,609)
Depreciation	(52,987)	(50,162)
Increase in assessed values	749,132	742,270
Capital grants	(7,418)	(3,966)
Change in equity in capital assets	1,054,882	810,981
Balance, beginning of year	7,597,434	6,786,453
Balance, end of year	$ 8,652,316	$ 7,597,434

6. LONG TERM DEBT

Debenture debt is shown at its face amount. The City does not carry debt issued by other organizations.

Maturing In	General *	Local Improvements	Total
2007	$ 39,045	$ 2,278	$ 41,323
2008	30,220	2,083	32,303
2009	171,538	1,869	173,407
2010	34,005	1,675	35,680
2011	114,504	1,511	116,015
Thereafter	100,358	6,772	107,130
Total	489,670	16,188	505,858
Internally held	(61,039)	(16,188)	(77,227)
Net external debt	$ 428,631	$ -	$ 428,631

* General including Waterworks

The rates of interest payable on the principal amount of the debentures range from 3.6% to 9.5% per annum. The weighted average interest rate on total debt to maturity is 4.85%. Total interest paid in 2006 on externally held debt amounted to $30.1 million (2005 - $26.8 million). All debentures are payable in Canadian funds.

Reserve for debt retirement at December 31, 2006 amounted to $92.6 million (2005 - $167.9 million).

7. RESERVES

These amounts are set aside by Council resolution for specific purposes:

	2005	Change During Year	2006
Affordable Housing	$ 11,526	$ (4,202)	$ 7,324
Art Gallery Operations	3,574	498	4,072
Capital Facilities	1,989	(837)	1,152
Childcare Endowment	4,828	1,198	6,026
Community Amenities	31,102	13,027	44,129
Cultural Precinct	-	5,144	5,144
Emerging Neighbourhood	4,423	178	4,601
Future Revenue Fund Budgets	30,278	13,544	43,822
Hastings Park	3,333	750	4,083
Library	3,674	914	4,588
Mortgage Debenture Retirement	5,760	(46)	5,714
Olympic Village Trust	28,533	1,877	30,410
Outstanding Commitments	9,710	2,016	11,726
Pacific National Exhibition	2,172	(46)	2,126
Park Board	2,861	815	3,676
Parking Sites	3,586	(2,570)	1,016
Plant and Equipment	27,479	7,344	34,823
Public Art	4,777	345	5,122
Self-insurance	17,931	822	18,753
Solid Waste Capital	62,647	5,080	67,727
Stanley Park Restoration	-	2,000	2,000
Water and Sewer Utility Rate Stabilization	26,631	(2,199)	24,432
Other	8,012	(1,329)	6,683
	$ 294,826	$ 44,323	$ 339,149

8. FUND BALANCES

	2005	Change During Year	2006
Revenue Fund	$ 10,434	$ 1,844	$ 12,278
Capital Fund	52,020	(77,000)	(24,980)
Capital Financing Fund	177,608	7,760	185,368
Sinking Fund	-	309	309
Property Endowment Fund	35,459	(44,407)	(8,948)
Harbour Park Development Ltd	18	(1)	17
Vancouver Civic Development Corp	9,281	331	9,612
Hastings Institute Inc	184	1	185
Pacific National Exhibition	(2,370)	105	(2,265)
City of Vancouver Public Housing Corporation	(164)	(33)	(197)
	282,470	(111,091)	171,379
Elimination for internally-held debt on consolidation	(47,778)	8,639	(39,139)
	$ 234,692	$ (102,452)	$ 132,240

9. OBLIGATIONS TO BE FUNDED FROM FUTURE REVENUE

The following amounts are included in Accounts payable and accrued liabilities:

	2006	2005
Deferred payroll costs	$ 77,270	$ 71,692
Accrued interest on long term debt	5,477	13,079
Landfill closure and post-closure	24,966	22,047
	$ 107,713	$ 106,818

(a) Deferred Payroll Costs

Employees are entitled to earned benefits related to non-vested accumulating sick leave, sick leave gratuity and full vacation entitlement at retirement. Employees may also defer current vacation entitlements. The liability and expense for these post-employment benefits and compensated absences is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

As well, certain employees are entitled to income continuation benefits under long term disability plans. The City recognizes a liability and expense for these post-employment benefits in the period when the event occurs that obligates the City to provide the benefit.

The liabilities reported in 2006 are based on an actuarial valuation as at December 31, 2003 using the following valuation assumptions:

	2006	2005
Discount rate	4.70%	4.35%
Inflation rate	2.00%	2.00%
Rate of compensation increase	3.08% to 5.00%	3.08% to 5.00%

Employee benefit liabilities as at December 31 are as follows:

	2006	2005
Sick leave gratuity	$ 21,231	$ 20,547
Deferred vacation	12,601	11,815
Non-vested accumulating sick leave	23,011	22,195
Long term disability	9,884	8,937
Other post-employment benefits	12,852	12,471
	79,579	75,965
Unamortized actuarial gain (loss)	(2,309)	(4,273)
	$ 77,270	$ 71,692

9. OBLIGATIONS TO BE FUNDED FROM FUTURE REVENUE - continued

(a) Deferred Payroll Costs - continued

The continuity of the City's employee benefit liabilities are as follows:

	2006	2005
Beginning of year	$ 71,692	$ 68,883
Current service cost	9,029	6,156
Interest cost	3,427	3,503
Amortization of actuarial gain	356	(10)
Actual benefits paid	(7,234)	(6,840)
End of year	$ 77,270	$ 71,692

The City manages the payment of these future payroll obligations as they come due in the current Operating Budget. The City has also provided funding of $21.5 million ($17.1 million in 2005) in a reserve.

(b) Landfill Closure and Post-Closure Costs

The City has agreed with the Ministry of Environment Lands and Parks to assume certain obligations in order to obtain the Operating Certificate for its landfill site. Those obligations include closure and post-closure liability. The present value of the City's estimated future liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability of $25.0 million (2005 - $22.0 million) represents the portion of the estimated total expenditure recognized as at December 31, 2006. This liability and annual expenditure is calculated based on the ratio of utilization to total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities. The discount rate used in 2006 was 4.70% compared to 4.35% in 2005.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The landfill site is expected to reach its capacity in 2042 and at year end the estimate of the remaining capacity is 18.4 million tonnes, which is 55.8% of the site's total capacity. At December 31, 2006, the discounted future cash flows for closure and post-closure cost is estimated at $64.7 million.

In accordance with an agreement between the City and the Greater Vancouver Sewerage and Drainage District, the City is responsible for 87% of the overall liability for closure and post-closure costs. The City has provided a reserve to fund future landfill capital expenditure and waste diversion programs with a balance as at December 31, 2006 of $67.7 million (2005 - $62.6 million).

10. CONTINGENCIES AND COMMITMENTS

(a) Contingent Liability and Commitment

The City is contingently liable in respect of debentures of the Greater Vancouver Water District, the Greater Vancouver Sewerage and Drainage District and the Greater Vancouver Regional District.

The City is a shareholder and member of EComm, whose services include: regional 911 call centre for the Greater Vancouver Regional District, Wide Area Radio emergency communications network, dispatch operations and records management. The City holds 2 Class A shares (of a total 23 Class A and 25 Class B shared issued and outstanding at December 31, 2006). As a Class A shareholder, the City is committed to paying levies for services received under a cost-sharing formula to fund operating and capital costs of the EComm operations. In addition, the City is contingently liable to cover its proportionate share of such costs should any member be unable to fulfill its funding obligations. Annual levy amounts fluctuate based on various factors under the cost-sharing formula, and amounted to $16.4 million during the year (2005 - $16.4 million).

(b) Collection of Taxes on Behalf of Other Taxing Authorities

The City is obligated to collect and transmit the tax levies of the following bodies. Such levies are not included in the revenue of the City.

Provincial Government - Schools
Greater Vancouver Regional District
Greater Vancouver Transportation Authority
British Columbia Assessment Authority
Municipal Finance Authority

10. CONTINGENCIES AND COMMITMENTS - Continued

(c) Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the Plan. The Plan is a multi-employer contributory defined benefit pension plan with about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The valuation as at December 31, 2003 indicated an unfunded liability of $789 million. The most recent valuation was performed as at December 31, 2006 with results available later in 2007. The actuary does not attribute portions of the surplus to individual employers. The City paid $40.5 million during 2006 (2005 - $36.1 million) for employer contributions to the Plan. Employee contributions during 2006 amounted to $31.0 million (2005 - $28.1 million).

(d) Contingent Legal Liabilities

As at December 31, 2006, there were various legal claims pending against the City arising in the ordinary course of its operations. The City has made provision for certain uninsured claims in its self-insurance liability reserve, but has made no specific provision for those where the outcome is presently indeterminable.

(e) Property Assessment Appeals

As at December 31, 2006, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes an annual provision against property taxes receivable for the impact of appeals including specific provision where the results of an appeal are reasonably determinable, and general provision for those where the outcome is presently indeterminable.

(f) Mortgage and Lease Agreements

Principal payments on mortgages over the next 5 years and thereafter are as follows:

2007	$ 3,561
2008	9,452
2009	2,819
2010	2,667
2011	3,547
Thereafter	44,877
	$ 66,923

Outstanding mortgages include:

- $10.1 million (2005 - $10.5 million) in mortgages payable to Canada Mortgage and Housing Corporation for 5 non-market housing projects. Interest rates range from 4.24 % to 8.0% with maturity dates from June 1, 2008 to December 1, 2027.
- $51.1 million on the Library Square Project due on January 14, 2021. Interest at 9.875% per annum is compounded semi-annually with monthly repayments of principal and interest. The mortgage is secured by a first charge on the land and any proceeds from the sale of the land on which the office building is situated, the office building and any improvements to it including machinery, plant and equipment, and any proceeds on the lease of the office building.

The City has executed a 25-year lease of the Library Square office building with the Federal Government which commenced April 30, 1995. Annual lease payments of $6.7 million will fully offset mortgage principal and interest payments. The lease provides options to purchase the office building at the end of the 10th and 20th years and at the end of the lease term. The balance of the lease receivable is $49.8 million (2005 - $51.6 million).

During the year, the City executed a $6.4 million no-interest take-back mortgage on the sale of the former Woodward's site to a developer. The terms provide for discharge and forgiveness of the mortgage upon the developer's conveyance to the City of an air space parcel by January 1, 2010.

10. CONTINGENCIES AND COMMITMENTS - Continued

(g) Loan Guarantee

The City has guaranteed a $12.0 million line of credit for the Pacific National Exhibition effective January 1, 2007 for a period of one year.

(h) Property Acquisition

On March 9, 2005, Council approved a 4-year agreement for the City to act as a backup to a property acquisition. The agreement commits the City to purchase the property from the original purchaser at the original purchase price of $24.5 million plus up to $5.0 million for site development and remediation costs, if for any reason the original purchaser is unable to proceed with their proposed development.

(i) 2nd Avenue RAV Station

The City has entered into an agreement with RAVCO for the design and construction of the 2nd Avenue RAV station for $28.9 million. The City received a contribution of $7.8 million from the Province of British Columbia toward this project. Payments totalling $8.0 million have been made to date with future payments due as follows: 2007 - $13.8 million and 2008 - $7.1 million.

11. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by agreement or statute. The City holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiary. The following trust funds and assets are excluded from the City's financial statements:

	2006	2005
Vancouver Agreement	$ 9,183	$ 7,713
Cemetery Perpetual Care	3,097	3,125
Atrium	308	296
General	319	327
	$ 12,907	$ 11,461

The Vancouver Agreement is an urban development agreement between the Governments of Canada, British Columbia and the City to facilitate sustainable economic, social and community development in the City.

12. EXPENDITURES BY OBJECT

	2006	2005
Wages, salaries and benefits	$ 545,479	$ 518,618
Contract services	129,278	87,917
Supplies, material and equipment	355,684	378,722
Debt charges	30,067	26,813
	$ 1,060,508	$ 1,012,070

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AUDITORS' REPORT
TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have audited and reported separately herein on the consolidated financial statements of the City of Vancouver as at and for the year ended December 31, 2006.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the City taken as a whole. The current year's supplementary information included in the following Schedules of Financial Activities of the Revenue Fund, Capital Fund, Capital Financing Fund, Sinking Fund, Property Endowment Fund and Utilities is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 30, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

CITY OF VANCOUVER
Revenue Fund
Schedule of Financial Activities
Years ended December 31
($000s)

	2006 Budget	2006	2005
REVENUE			
Property taxes, penalties and interest	$ 510,464	$ 507,511	$ 482,323
Water fees	69,879	68,859	67,262
Solid waste fees	37,877	42,790	38,629
Sewer fees	34,452	33,185	34,103
Other fees, rates and cost recoveries	170,512	186,239	174,800
Revenue sharing, grants and contributions	17,537	18,020	17,061
Investment income	12,400	17,525	12,764
Rental and lease income	20,062	23,338	23,340
	873,183	897,467	850,282
EXPENDITURES			
General government	89,063	80,729	80,915
Police protection	174,237	176,510	161,908
Fire protection	79,362	80,025	78,613
Engineering	73,698	67,940	67,322
Water utility	54,170	50,112	47,827
Solid waste	31,794	38,706	35,418
Sewer utility	50,825	50,251	49,634
Planning and development	60,055	64,117	61,528
Recreation and parks	86,259	89,057	84,034
Community and cultural services	63,055	63,815	61,464
	762,518	761,262	728,663
NET REVENUE	110,665	136,205	121,619
DEBT, TRANSFERS AND OTHER			
Debt principal repayments	(41,510)	(39,874)	(28,874)
Transfers			
Net transfers to other funds	(50,427)	(67,473)	(81,762)
Net transfers to reserves	(18,728)	(27,824)	(15,752)
Change in obligations to be funded from future revenue	-	810	5,961
	(110,665)	(134,361)	(120,427)
CHANGE IN FUND BALANCE	-	1,844	1,192
FUND BALANCE			
Beginning of year	10,434	10,434	9,242
End of year	$ 10,434	$ 12,278	$ 10,434

CITY OF VANCOUVER
Capital Fund
Schedule of Financial Activities
Years ended December 31
($000s)

	2006	2005
REVENUE		
Fees, charges and recoveries	$ 58,808	$ 76,894
Grants and contributions	566	29,082
Property sale	7,785	4,190
	67,159	110,166
EXPENDITURES		
Capital expenditures		
General government	9,214	7,942
Police protection	3,056	3,847
Fire protection	1,345	508
Engineering	53,644	43,832
Water utility	20,900	20,717
Solid waste utility	6,610	11,039
Sewer utility	30,958	35,462
Recreation and parks	26,200	24,051
Community and cultural services	17,372	9,165
	169,299	156,563
NET EXPENDITURES	(102,140)	(46,397)
DEBT AND TRANSFERS		
Debt issued	573	121,520
Transfers		
Net transfers to reserves	(15,539)	(6,690)
Net transfers from other funds	40,106	31,934
	25,140	146,764
CHANGE IN FUND BALANCE	(77,000)	100,367
FUND BALANCE		
Beginning of year	52,020	(48,347)
End of year	$ (24,980)	$ 52,020

CITY OF VANCOUVER
Capital Financing Fund
Schedule of Financial Activities
Years ended December 31
($000s)

	2006	2005
REVENUE		
Investment income	$ 9,268	$ 5,832
TRANSFERS		
Net transfer from other funds	5,449	30,502
Net transfer to reserves	(6,957)	(29,450)
	(1,508)	1,052
CHANGE IN FUND BALANCE	7,760	6,884
FUND BALANCE		
Beginning of year	177,608	170,724
End of year	$ 185,368	$ 177,608

CITY OF VANCOUVER
Sinking Fund
Schedule of Financial Activities
Years ended December 31
($000s)

	2006	2005
REVENUE AND EXPENDITURES		
Investment income	$ 6,442	$ 8,267
Administration expenses	70	72
	6,372	8,195
DEBT AND TRANSFERS		
Debt repayments	(100,038)	(36)
Transfers		
Net transfer from Revenue Fund	25,381	26,408
Net transfer (to) from reserves	68,594	(34,567)
	(6,063)	(8,195)
CHANGE IN FUND BALANCE	309	-
FUND BALANCE		
Beginning of year	-	-
End of year	$ 309	$ -

CITY OF VANCOUVER
Property Endowment Fund
Schedule of Financial Activities
Years ended December 31
($000s)

	2006			2005
	Revenue	Expenses	Net	Net
OPERATIONS				
Rental and leases	$ 18,336	$ 10,362	$ 7,974	$ 8,448
Parking	18,612	12,930	5,682	4,444
Water moorage	920	471	449	459
	$ 37,868	$ 23,763	14,105	13,351
Interest income			1,258	1,492
Property sales			270	1,777
Miscellaneous income			970	908
			16,603	17,528
Expenses				
Capital expenditures			59,624	64,797
Adminstration and operating			3,863	2,995
			63,487	67,792
NET EXPENDITURES			(46,884)	(50,264)
TRANSFERS				
Debt prinicipal repayments			(59)	(5)
Debt issue			-	3,216
Net transfer from reserves			5,999	820
Transfer to Revenue Fund			(7,000)	(7,000)
Net transfer (to) from other funds			3,537	(82)
			2,477	(3,051)
CHANGE IN FUND BALANCE			(44,407)	(53,315)
FUND BALANCE				
Beginning of year			35,459	88,774
End of year			$ (8,948)	$ 35,459

CITY OF VANCOUVER
Utilities
Schedule of Financial Activities*
Years ended December 31
($000s)

	2006	2005
SOLID WASTE UTILITY		
REVENUE		
Fees and service charges	$ 42,790	$ 38,629
EXPENDITURES AND TRANSFERS		
Garbage collection and disposal	9,614	9,507
Recycling	4,875	4,415
Composting	3,907	3,733
Commercial	16,745	14,565
Management and solid waste levy	646	658
Post closure costs	2,919	2,540
	38,706	35,418
Transfers from other funds	(4,678)	(3,614)
Transfer to reserves	8,762	6,825
	$ 42,790	$ 38,629
WATER UTILITY		
REVENUE		
Fees and service charges	$ 68,859	$ 67,262
EXPENDITURES AND TRANSFERS		
Purchase of water	36,220	32,206
Water debt charges	9,084	8,696
Operations	4,808	6,924
	50,112	47,826
Debt principal repayments	9,630	7,706
Transfer to Sinking Fund	7,135	7,404
Transfer to reserves	1,982	4,326
	$ 68,859	$ 67,262
SEWER UTILITY		
REVENUE		
Fees and service charges	$ 33,185	$ 34,103
Contribution from property taxes	33,262	33,729
	$ 66,447	$ 67,832
EXPENDITURES AND TRANSFERS		
Contribution to Joint Sewerage Board	36,988	36,552
Sewer debt charges	8,136	7,343
Operations	5,127	5,739
	50,251	49,634
Debt principal repayments	10,571	7,690
Transfer to Sinking Fund	5,462	5,663
Transfer to reserves	163	4,845
	$ 66,447	$ 67,832

* These amounts have been reported as part of the Revenue Fund Schedule of Financial Activities.

SUPPLEMENTARY FINANCIAL INFORMATION

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Internet www.kpmg.ca

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have reported to the Mayor and Members of Council on our examination for the purpose of expressing an opinion on the consolidated financial statements of the City of Vancouver for the year ended December 31, 2006.

We do not express an opinion on the following management prepared schedules since our examination did not extend to the detailed information therein.

KPMG LLP

Chartered Accountants

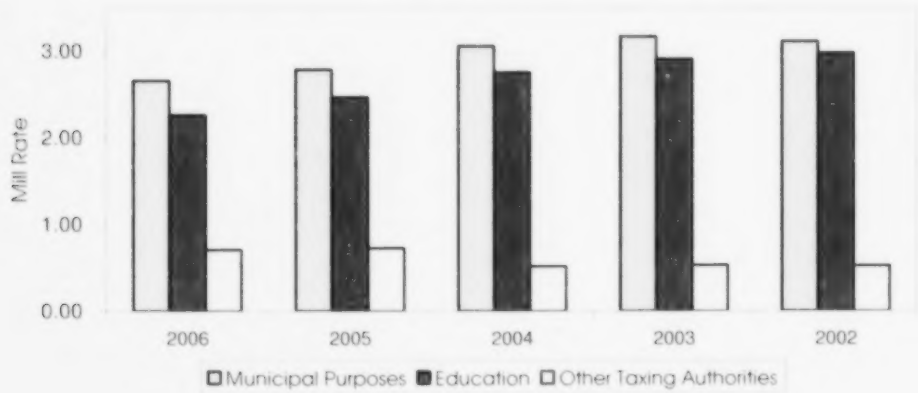
Vancouver, Canada
March 30, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2006	2005	2004	2003	2002
Property Assessment ($000s)					
Rateable property general purposes	107,777,325	94,494,731	80,246,519	72,843,427	67,522,799
Tax Rates – Rate per $1,000 of Assessment					
Residential					
Municipal purposes	2.66174	2.78956	3.06186	3.17221	3.11743
Education	2.26854	2.47345	2.75856	2.91461	2.98026
Other taxing authorities	0.70825	0.72621	0.51531	0.52729	0.52335
Total Residential	5.63853	5.98922	6.33573	6.61411	6.62104
Business/Other					
Municipal purposes	15.48272	16.44104	16.75464	16.36674	15.48259
Education	9.96944	10.16357	10.35432	10.06992	9.92035
Other taxing authorities	2.80508	2.79649	2.28976	2.28677	2.28468
Total Business/Other	28.25724	29.40110	29.39872	28.72343	27.68762
Major Industrial					
Municipal purposes	28.46539	28.31661	28.58468	27.71701	28.13435
Education	12.50000	12.50000	12.50000	12.50000	12.50000
Other taxing authorities	3.76664	3.81372	3.18900	3.27333	3.35615
Total Major Industrial	44.73203	44.63033	44.27368	43.49034	43.99050
Light Industrial					
Municipal purposes	14.28709	15.52713	16.02039	16.09242	15.45070
Education	9.20000	9.60000	9.90000	9.90000	9.90000
Other taxing authorities	3.51684	3.57582	2.94250	3.00313	3.03205
Total Light Industrial	27.00393	28.70295	28.86289	28.99555	28.38275
Total Utilities	54.09031	52.27359	51.26064	50.80137	49.64316
Total Recreational/Non-Profit	7.23303	7.69044	7.86989	8.05798	8.13357
Total Farm – All Purposes	9.83303	9.99004	10.16989	10.35798	10.46347

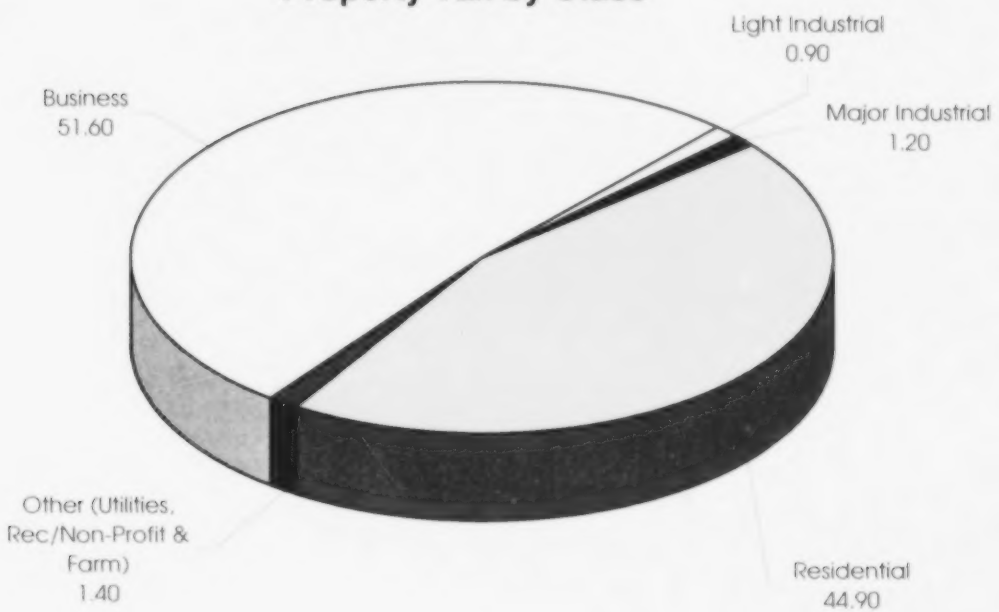
Residential Tax Rate



FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2006	2005	2004	2003	2002
Population *	587,900	583,300	579,700	576,200	572,100
Property Tax Revenue by Property Class (%)					
Residential - Class 1	44.9	43.5	43.3	42.9	42.2
Business - Class 6	51.6	52.7	52.8	53.3	53.8
Major industrial - Class 4	1.2	1.3	1.4	1.2	1.3
Light industrial - Class 5	0.9	1.0	1.0	1.1	1.1
Other (Utilities, Rec/Non-Profit and Farm)	1.4	1.5	1.5	1.5	1.6
Total	100.0	100.0	100.0	100.0	100.0

Property Tax by Class



Property Taxation - Levy and Collections

Total tax levy (all purposes) ($000s)	1,007,751	951,769	886,391	853,460	815,877
Total tax arrears outstanding ($000s)	22,238	21,254	25,253	34,386	35,090
% of current collections to current levy	98.61	98.45	98.51	97.74	97.82
% of total collections to current levy	100.10	100.40	101.22	100.32	100.82

*Source: Population Section, B.C. Stats
Ministry of Management Services, Government of British Columbia

NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES ($000s)
Years Ended December 31

The City is required to collect taxes on behalf of and transfer these amounts to the government agencies listed below:

	2006	2005
Taxes collected:		
Property and business taxes	$ 945,093	$ 886,980
Payment in lieu of taxes	29,364	29,220
Local improvement levies	3,607	3,884
	978,064	920,084
Less taxes collected on behalf of:		
Province of British Columbia - School Taxes	361,587	341,407
Greater Vancouver Transportation Authority	84,865	73,138
B.C. Assessment Authority	12,312	12,035
Greater Vancouver Regional District	11,760	11,156
Municipal Finance Authority	29	25
	470,553	437,761
NET TAXES - MUNICIPAL PURPOSES	$ 507,511	$ 482,323

STATEMENT OF TAX RECEIPT AND PROPERTY TAXES RECEIVABLE ($000s)
Years Ended December 31

	2006	2005
Analysis of Tax Receipts and Receivables		
Balance, before allowance for tax write-offs, beginning of year	$ 21,254	$ 25,253
Add: Interest and adjustments (net)	902	61
	22,156	25,314
Less: Receipts	(15,022)	(18,578)
Outstanding - prior years	7,134	6,736
Current tax levy including utility and other charges	1,007,751	951,769
Less : Receipts	(993,772)	(937,899)
Current arrears	13,979	13,870
Add: Penalties on current arrears	1,125	648
Outstanding - current year	15,104	14,518
Balance	$ 22,238	$ 21,254
Analysis of Property Taxes Receivable by Year		
Current year	$ 15,104	$ 14,518
Prior year	4,596	4,320
Prior 2 year	2,538	2,416
Balance	$ 22,238	$ 21,254

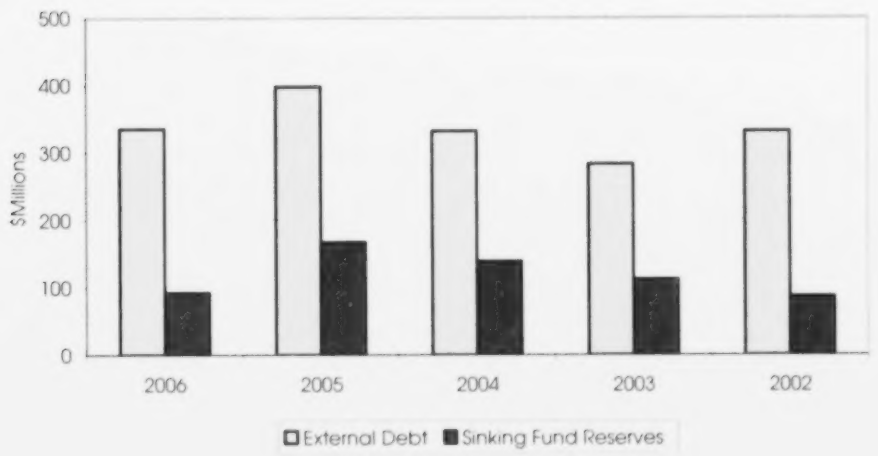
REVENUE FUND – OTHER FEES, RATES AND RECOVERIES ($000s)
Years Ended December 31

	2006 Budget	2006	2005
Permits and licences			
Business	$ 11,600	$ 11,572	$ 11,174
Dog	714	741	611
False Alarm Reduction Programme	1,200	1,148	1,156
Other	1,272	1,138	1,522
	14,786	14,599	14,463
Municipal by-law fines	10,807	12,148	10,830
Service and inspection fees			
Development permits	5,748	6,943	5,402
Building permits	7,287	9,498	7,004
Plumbing inspection	4,208	4,078	4,195
Electrical inspection	3,182	3,306	3,087
Other	8,260	9,204	8,054
	28,685	33,029	27,742
On street parking	24,073	24,856	23,675
Sundry fees and services			
Recovery - Greater Vancouver Transit Authority	3,548	3,548	3,478
Provincial school tax administration fee	315	357	339
Utility company access	279	318	295
Other	1,371	1,692	1,130
	5,513	5,915	5,242
Departmental revenues			
Parks and recreation - general operations	34,770	37,647	34,518
Britannia Community Services	784	802	682
Libraries	5,256	6,385	6,315
Civic theatres	6,079	6,748	6,288
General government	1,588	3,846	5,302
Fire	6,452	6,947	7,033
Police	15,119	16,957	14,423
Engineering	8,812	5,617	5,441
Community services	7,788	10,743	12,846
	86,648	95,692	92,848
TOTAL	$ 170,512	$ 186,239	$ 174,800

FIVE YEAR STATISTICAL REVIEW – DEBT AND OTHER ($000s)
Years Ended December 31

	2006	2005	2004	2003	2002
Population (000s)*	587,891	583,267	579,716	576,226	572,113
Long Term Debt (000s)					
Debenture debt outstanding	$ 505,858	$ 645,159	$ 552,512	$ 477,509	$ 546,072
Less: Internally held debt	(77,227)	(79,133)	(80,180)	(81,373)	(126,846)
Externally held debt	428,631	566,026	472,332	396,136	419,226
Sinking Fund reserves	92,621	167,865	139,630	112,748	87,116
Net externally held debt	$ 336,010	$ 398,161	$ 332,702	$ 283,388	$ 332,110
Debt per capita (externally held)	$ 729.10	$ 970.44	$ 814.76	$ 687.47	$ 732.77

Long Term Debt - External



($000s)					
Capital expenditures	169,299	156,563	127,169	147,042	149,374
Internally restricted reserves	339,149	294,826	243,754	205,281	196,655

CHANGES IN DEBENTURE DEBT OUTSTANDING ($000s)
Years Ended December 31

	Externally Held	Internally Held	Total
Balance, beginning of year	$ 566,026	$ 79,133	$ 645,159
Local improvements	-	573	573
	566,026	79,706	645,732
Less: Maturities			
General and water	137,395	-	137,395
Local improvements	-	2,479	2,479
	137,395	2,479	139,874
Balance, end of year	$ 428,631	$ 77,227	$ 505,858

SCHEDULE OF GENERAL DEBT ($000s)
Year Ended December 31, 2006

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
7811	October 31, 2007	5.500 to 5.750	10		
	Communications			234	-
	Emergency operations			34	-
	Fire protection			1,109	-
	Infrastructure			314	-
	Parks			2,341	-
	Pedestrian/cycling facilities			1,204	-
	Sewers			2,600	-
	Street lighting			317	-
	Waterworks			1,881	-
				10,034	-
8042*	July 12, 2009	5.900	10		
	Parks			5,000	3,313
	Roads, walks, streets and lanes			15,000	9,938
	Sewers			20,000	13,252
	Waterworks			20,000	13,252
				60,000	39,755
8077	October 7, 2009	6.000	10		
	Roads, walks, streets and lanes			46,533	30,473
	Sewers			11,417	7,476
	Waterworks			22,050	14,440
				80,000	52,389
8269*	December 14, 2010	6.000	10		
	Roads, walks, streets and lanes			1,038	563
8295	February 21, 2011	5.850	10		
	Infrastructure			2,238	1,025
	Parks			13,858	6,349
	Pedestrian/cycling facilities			1,678	769
	Public works/fire facilities			10,600	4,856
	Roads, walks, streets and lanes			2,382	1,091
	Sewers			17,015	7,795
	Street lighting/communications/undergrounding			857	393
	Street lighting/communications			4,476	2,051
	Street lighting			2,384	1,092
	Transit /safety improvements			6,162	2,823
	Waterworks			18,350	8,407
				80,000	36,651
			Carried Forward	$231,072	$129,358

* Held Internally

SCHEDULE OF GENERAL DEBT ($000s)
Year Ended December 31, 2006

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
			Carried Forward	$231,072	$129,358
8460	April 17, 2012	5.250 to 6.125	10		
	Local area improvement			3,932	-
	Parks			4,628	-
	Pedestrian/cycling facilities			2,645	-
	Public works/fire facilities			4,793	-
	Sewers			19,832	-
	Street lighting			728	-
	Street/bridge infrastructure			4,297	-
	Transit /safety improvements			5,420	-
	Waterworks			19,832	-
				66,107	-
8808	March 16, 2014	2.500 to 4.650	10		
	Civic facilities			412	-
	Local area improvement			5,058	-
	Parks			7,589	-
	Pedestrian/cycling facilities			4,756	-
	Public works/fire facilities			930	-
	Sewers			26,445	-
	Street lighting/communications			1,965	-
	Street/bridge infrastructure			3,450	-
	Transit /safety improvements			6,851	-
	Waterworks			25,029	-
				82,485	-
9115	October 06, 2015	3.150 to 4.100	10		
	Bridges/tunnels			2,476	-
	Community centre facilities			5,501	-
	Infrastructure			6,353	-
	Libraries			4,500	-
	Local area improvement			6,169	-
	Miscellaneous			228	-
	Multi-purpose centres			2,164	-
	Neighbourhood houses			2,145	-
	Parks			13,833	-
	Pedestrian/cycling facilities			5,840	-
	Public safety/Police			550	-
	Sewers			28,163	-
	Sports facilities			1,008	-
	Street lighting/communications			3,560	-
	Train stations			4,584	-
	Transit/safety improvements			3,553	-
	Waterworks			18,064	-
	Yards			1,315	-
				110,006	-
			Total	$489,670	129,358

LOCAL IMPROVEMENT - Property Owners' Share

Bylaw	Maturity Date	Purpose	Rate	Term (Yr)	Debt Balance
6990	June 17 2007	Lane paving, speed ramps, sidewalks & curbs	9.500	15	285
6991	June 17 2007	Beautification	9.500	15	36
7129	June 23 2008	Lane paving, speed ramps, sidewalks & curbs	9.000	15	633
7312	June 22 2009	Lane paving, speed ramps, sidewalks & curbs	7.000	15	654
7313	June 22 2009	Beautification	7.000	15	168
7315	June 22 2009	Underground wiring	7.000	15	15
7446	June 21 2010	Lane paving, speed ramps, sidewalks & curbs	9.500	15	760
7447	June 21 2010	Underground wiring	9.500	15	37
7584	June 26 2011	Lane paving, speed ramps, sidewalks & curbs	7.500	15	993
7758	June 25 2012	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,182
7759	June 25 2012	Beautification	7.000	15	87
7912	June 24 2013	Beautification	6.000	15	124
7914	June 24 2008	Street lighting	6.000	10	3
7915	June 24 2013	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,323
8037	June 23 2014	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,466
8204	June 21 2015	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,126
8206	June 21 2010	Street lighting	7.000	10	12
8207	June 21 2015	Beautification	7.000	15	83
8208	June 21 2010	Beautification	7.000	10	84
8209	June 21 2015	Beautification	7.000	15	19
8501	June 26 2017	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,603
8502	June 26 2007	Lane lighting	6.000	5	11
8503	June 26 2012	Street lighting	6.000	10	7
8504	June 26 2017	Beautification	6.000	15	183
8505	June 26 2007	Traffic circle	6.000	5	2
8506	June 26 2017	Underground wiring	6.000	15	168
8693	June 25 2018	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,789
8694	June 25 2018	Lane lighting	6.000	15	5
8695	June 25 2013	Street lighting	6.000	15	2
8696	June 25 2013	Beautification	6.000	15	44
8871	June 23 2019	Lane paving, speed ramps, sidewalks & curbs	5.750	15	1,248
8872	June 23 2009	Traffic circle	5.750	5	2
8873	June 23 2009	Lane lighting	5.750	5	8
9063	June 29 2020	Lane paving, speed ramps, sidewalks & curbs	5.750	5	1,447
9064	June 29 2010	Lane lighting	5.750	15	6
9301	June 14 2021	Lane paving, speed ramps, sidewalks & curbs	6.000	15	518
9302	June 14 2011	Lane lighting	6.000	5	9
9303	June 14 2021	Beautification	6.000	15	46
					$16,188

Held Internally

DEBT INTEREST RATES ($000s)
Year Ended December 31, 2006

Interest Rate	General (including Waterworks)	Local Improvement	Total
9.500	-	1,117	1,117
9.000	-	633	633
7.500	-	993	993
7.000	-	3,431	3,431
6.125	24,610	-	24,610
6.000	92,302	7,303	99,605
5.900	60,000	-	60,000
5.875	10,638	-	10,638
5.850	80,000	-	80,000
5.750	20,094	2,711	22,805
5.500	9,536	-	9,536
4.650	11,827	-	11,827
4.500	11,314	-	11,314
4.350	10,842	-	10,842
4.150	10,405	-	10,405
4.100	14,226	-	14,226
4.050	13,678	-	13,678
3.950	23,163	-	23,163
3.850	12,647	-	12,647
3.700	12,160	-	12,160
3.650	9,657	-	9,657
3.600	11,693	-	11,693
3.450	11,243	-	11,243
3.350	10,810	-	10,810
3.300	9,350	-	9,350
3.250	10,395	-	10,395
2.950	9,080	-	9,080
	$ 489,670	$ 16,188	$ 505,858

FUTURE PRINCIPAL AND INTEREST PAYMENTS ON DEBT ($000s)
Year Ended December 31, 2006

Total Debt (Internal and External)

	General			Waterworks			Local Improvements Property Owners' Share			Total General & Waterworks and Local Improvements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	$28,994	$1,289	$30,283	$10,051	$465	$10,516	$2,278	$171	$2,449	$41,323	$1,925	$43,248
2008	22,590	954	23,544	7,630	340	7,970	2,083	150	2,233	32,303	1,444	33,747
2009	121,520	6,877	128,397	50,018	2,875	52,893	1,869	128	1,997	173,407	9,880	183,287
2010	25,668	2,998	28,666	8,337	942	9,279	1,675	115	1,790	35,680	4,055	39,735
2011	87,418	3,022	90,440	27,086	974	28,060	1,511	97	1,608	116,015	4,093	120,108
2012-2016	77,426	2,965	80,391	22,932	861	23,793	4,995	306	5,301	105,353	4,132	109,485
Thereafter	-	-	-	-	-	-	1,777	104	1,881	1,777	104	1,881
	$363,616	$18,105	$381,721	$126,054	$6,457	$132,511	$16,188	$1,071	$17,259	$505,858	$25,633	$531,491

External Debt Only

	General			Waterworks			Total General & Waterworks		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	$28,994	$1,289	$30,283	$10,051	$465	$10,516	$39,045	$1,754	$40,799
2008	22,590	954	23,544	7,630	340	7,970	30,220	1,294	31,514
2009	81,520	4,517	86,037	30,018	1,695	31,713	111,538	6,212	117,750
2010	24,629	2,936	27,565	8,337	942	9,279	32,966	3,878	36,844
2011	87,418	3,022	90,440	27,086	974	28,060	114,504	3,996	118,500
2012-2016	77,426	2,965	80,391	22,932	861	23,793	100,358	3,826	104,184
	$322,577	$15,683	$338,260	$106,054	$5,277	$111,331	$428,631	$20,960	$449,591

OUTSTANDING BORROWING AUTHORITY
Year Ended December 31, 2006

General borrowing is approved by the electors. Sewer and Water borrowing is approved by Council

	Amount Authorized	Debentures Issued to Dec 31, 2006	Balance
General (excluding Sewer and Water)			
2003 - 2005	$ 116,790	$ 97,265	$ 19,525
2006 - 2008	170,570	-	170,570
	$ 287,360	$ 97,265	$ 190,095
Sewer and Water			
2003 - 2005	$ 104,750	$ 104,750	$ -
2006 - 2008	129,300	-	129,300
	$ 234,050	$ 104,750	$ 129,300
Total General, Water and Sewer			
2003 - 2005	$ 221,540	$ 202,015	$ 19,525
2006 - 2008	299,870	-	299,870
	$ 521,410	$ 202,015	$ 319,395

GENERAL STATISTICS
Year Ended December 31, 2006

Land Area (hectares)	11,396
Public Schools	
Schools and annexes	109
Pupils	57,353
Teachers (F.T.E.)	3,210
Waterworks	
Annual consumption (cubic metres)	129
Number of services - metered	13,536
- flat rate	80,939
Total number of services	94,475
Kilometres of water main	1,437
Parks and Recreation Facilities	
Public parks	200 (1,297.9 hectares)
Beaches	11
Ice rinks	8
Swimming pools	15
Golf courses	6
Community centres	23
Tennis courts	183
Other recreational facilities	9

	2006	2005	2004	2003	2002
Value of Building Permits ($000s)	2,044,119	1,574,061	1,640,663	1,062,780	1,300,141
Roads and Sewers (kilometres)					
Street pavements	1,250	1,249	1,245	1,223	1,219
Lane pavements	682	678	668	592	588
Cement concrete sidewalks	2,169	2,164	2,159	2,058	2,057
Sewers	2,010	1,999	1,984	1,974	1,962

CITY OF
VANCOUVER

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